A.P. Groll
Account Manager

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August 22,1996

To: Mark Young
Re: Mandel Tobacco - Partners Program Payments

Dear Mark,

I have been advised by Martin Gross that 3,071 cartons were not credited to his 1st quarter Partners Payment. It appears that in 4 different data submissions, promotional SKUs were picked up as 1 unit instead of the number of cartons contained in the SKU. I/R has verified this. They have further indicated that this error did not lie completely in the data and that Mandel's reporting was not entirely at fault. I/R has since edited 2 of the 4 submissions but, unfortunately, only 403 additional cartons could be found.

Mandel, as you probably know, has had reporting problems throughout the 1st half program. Most, if not all of their data submissions were not received on time. I have discussed this situation with Scott Stein and it is his feeling that because of this, an exception should not be made. I, on the other hand, feel that Mandel Tobacco has been a valuable Partner to RJR. They have worked our programs flawlessly (V.A.P./ Partners, S/R Prebooks, Moonlight, etc.) and have achieved a payout rate of $0.43 per carton. With this in mind, I recommend that Mandel Tobacco be paid $0.03 per carton (Category I) for 3,071 cartons for the 1st quarter. I further recommend that their Category 2 & 3 payments be adjusted to reflect the addition of 2668 cartons (the difference between the original 3071 carton discrepancy and the 403 cartons already credited by I/R). George Moulton and Tony Addessi concur.

Thank you for your consideration of this matter.

Sincerely,

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cc: George Moulton

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